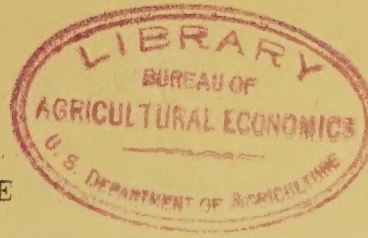


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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
East Central Division

SUGGESTED DISCUSSION OUTLINE 1938 AGRICULTURAL CONSERVATION PROGRAM

COOPERATIVE
EFFORT OF
FARMERS CON-
TINUED

The 1938 Agricultural Conservation Program represents a continuation of the programs under which farmers have been cooperating since 1933 in an effort to stabilize agricultural production and income. Farmers from every State have assisted at meetings in the field and at Washington in the preparation of the program.

OBJECTIVES
OF PROGRAM

The program represents a progressive development from previous programs, but the objectives are the same as in 1936 and 1937. These objectives are:

(1) To maintain adequate production of farm products in line with demand, so as to stabilize farm income at levels fair to farmers.

(2) To conserve and improve soil resources.

NEW FEATURES

The 1938 program has several new features. It is hoped that these will make the program more effective in accomplishing the objectives toward which it is directed.

The most important new feature is the use of goals for soil-depleting crops and a soil-building goal. These goals will be established for individual farms. The goals for each farm will be the acreage of soil-depleting crops and of soil-building crops and practices which should be grown and carried out on the farm in 1938 in an effort to stabilize production and income at fair levels.

Another important new feature is that a maximum payment which can be earned for each farm will be calculated early in the crop year. This means that the farmer will know the maximum payment which can be earned under the program and what should be done to earn the payment in full.

ADJUSTMENT
of SUPPLIES

The 1938 Agricultural Conservation Program can be used not only to encourage soil conservation, but also to encourage adjustments in production which are required to maintain the economic gains that have been made by farmers in recent years. The program will be of value to growers in the achievement of a balance between supply and demand at a reasonable level of prices only if the majority of farmers participate and perform fully.

FARM INCOME

A look at the production and income situation for agriculture is of interest in considering the 1938 program. The cash income for 1937 is estimated at nearly nine billion dollars, the largest since 1929, and more than double the low figure of _____ billion in 1932.

BETTER BALANCE
NEEDED

Steps taken to improve the agricultural situation have aided in the improvement of general economic conditions throughout the nation. Of course, improvement in the situation for non-farm

people has also meant a better opportunity for farmers to produce and sell crops profitably. It is obvious that we cannot, as farmers, buy goods to the fullest extent from non-farm people and that they, in turn, cannot buy to the fullest extent from us unless there is a balance between the incomes of the two groups.

The chart "Better Balance Needed" shows that while farm and non-farm incomes have tended to move together, these incomes have not been in balance. A better balance is needed if farm and non-farm people are to produce and exchange goods to the fullest possible extent.

EXPORT SITUATION

Much of the export market which we have had in the past for certain farm products has, for the present at least, disappeared.

The tariff policies of this country, the existing tariff policies of other countries, and other factors have tended to reduce export markets for American farm crops.

The chart, "Who Will Buy the Surplus", which shows the trend of exports in relation to production of farm products in the United States, suggests that the American farmer has very little to look for in the way of an increased outlet for his crops in foreign markets.

Frequently we see statements about imports of farm products which could be produced domestically. The chart, "Good Farm Prices Attract Imports", shows that imports of competitive farm products are, in total, unimportant, but through a period of years, have always been larger when prices of farm products are high than when

prices are low. The present level of imports of competitive farm products is below the level from 1925 to 1929.

FARM INCOME AND
SOIL CONSERVA-
TION

There is a close relation between farm income and soil conservation. It is generally agreed that a good system of crop rotation is one of the best ways of conserving soil, and that both extremely high prices and extremely low prices for farm products tend in certain instances to cause departures from established farm practices included in a good rotation.

The chart "Which Road Shall We Follow" indicates the effect of rotation upon crop yields. The chart, "Exhaustive Farming Destroys the Land," indicates the need for protection of the soil to prevent erosion. Whereas, on land covered with woods or grass, erosion was negligible in these experiments, with continuous row crops the loss of soil per year was 22.6 tons from each acre of land. With unprotected fallow, or bare land, the loss of soil per year was approximately three times as great as in the case of row crops.

LONG-TIME POLICY
FOR AGRICULTURE

Conservation of soil resources and stabilization of production in line with demand are generally recognized as desirable objectives. These objectives should mean production year after year of a volume of farm products adequate to meet the needs of a growing population--a volume which can be absorbed on available domestic and export markets at prices which return the farmer a fair income. They should encourage the operation of farms as efficient producing units with the maximum amount of effort directed toward conserving and improving soil resources.

It is essential that farmers act together and that farm and non-farm people understand that the best interests of both groups lie in the common objectives which need to be accomplished.

NATIONAL GOALS
FOR 1938 PROGRAM

For the 1938 program national goals have been established which are in line with these objectives. Each national goal was established after due consideration was given to supplies available from crops in 1937 and previous years, and prospective domestic consumption and exports.

The chart "World Wheat Prices Depend on Supplies" shows the relationship of world supply of wheat and world price of wheat.

WHEAT

Wheat is included as one of the crops in the general soil-depleting goal. This goal will represent for commercial farms an acreage equal to about 85 percent of the 1937 base.

The 1937 U. S. wheat crop, which was nearly 900 million bushels compared with an average of 583 million bushels during the preceding four years, was marketed at favorable prices because of small world supplies. These small world supplies resulted chiefly from unfavorable production conditions in foreign areas and are not likely to continue. The carryover of wheat in the United States next July may approach 200 million bushels, which is much greater than normal. Should plantings for 1938 equal those of 1937, with a favorable growing season a crop of nearly a billion bushels would result. Since world production is likely to be greater, export demand may be reduced, and such a crop might bring a major wheat price collapse.

CORN

In this region corn, like wheat, is included in the general soil-depleting goal. The large 1937 corn crop of about 2-1/2 billion bushels will result in more than a normal carryover. The great concern of corn and hog producers is that in 1938 corn production may be so much in excess of livestock feeding requirements that a return of disastrously low corn prices, and, eventually, low livestock prices, will follow.

COMMERCIAL TRUCK CROPS

Truck crops also are included in the general soil-depleting goal. As shown by the chart upon commercial truck crops, the acreage of these crops has been at record levels for the past three years. This chart also shows the value per acre of commercial truck crops in recent years.

POTATOES

The National potato goal of 3,100,000 to 3,300,000 acres compares with the 1937 acreage of approximately 3,225,000 acres and a 10-year average acreage of 3,347,000 acres. With average yields, the proposed goal for potatoes would produce approximately a normal crop. If excessive fluctuations in production could be avoided, costs of potatoes to the consumer would be lower and returns to producers would be greater on the average.

Potato goals will be established only in designated areas for commercial farms on which three acres or more of potatoes are normally grown.

The potato chart indicates the relationship between the acreage and yield of potatoes and the price received by growers. This chart is for the seven intermediate States, in which it appears that fluctuations in yield have been of greater significance than fluctuations in acreage. However, for the United

States as a whole the variations in acreage are much greater than in these States. The establishment of potato goals should be of help in reducing that part of the fluctuation in total production which is associated with changes in acreage.

CONSUMPTION AND
EXPORTS OF
TOBACCO

The tobacco chart "Consumption and Exports of Domestic Leaf" shows the trend of development for each of the principal kinds of tobacco in the United States.

The chief points of interest on this chart are the increase of domestic consumption of flue-cured, Burley, and Maryland tobacco and the declining exports of the dark types.

FLUE-CURED
TOBACCO

The goal for flue-cured tobacco of 850 to 900 thousand acres is around 80 percent of the 1937 base or about 10 percent less than the acreage harvested in 1937, when production was substantially larger than domestic consumption and exports.

The present supplies of flue-cured tobacco are relatively large and it is anticipated that stocks at the beginning of the 1938 marketing year will be materially greater than they were at the beginning of the 1937 marketing year. While the consumption of cigarettes, which accounts for 80 percent of the domestic consumption of flue-cured tobacco is still increasing, the rate of increase has declined somewhat. Foreign takings from the 1937 crop are expected to be larger than from the previous crop which was deficient in grades suitable to the British trade. However, it is anticipated that exports from the 1938 crop will be less than from the 1937 crop.

The chart upon flue-cured tobacco shows the relationship between production, stocks, supply and price.

BURLEY TOBACCO

The goal for Burley tobacco of 480,000 to 500,000 acres is about 90 percent of the 1937 base and compares with the crop of 420,000 acres in 1937. With normal yields, the resulting crop with this goal would be around 400,000,000 pounds compared with 360,000,000 pounds in 1937. This increase appears to be justified by the present supply situation for Burley tobacco.

The chart "Burley Tobacco Prices Vary With Supply" shows that production of Burley tobacco was less than consumption in 1934, 1935, and 1936. In 1937 production was around 20,000,000 above the level of consumption.

The other chart upon Burley tobacco shows the relationship between production, stocks, supply and price.

FIRE-CURED AND DARK AIR-CURED TOBACCO

The goal for fire-cured and dark air-cured tobacco of 170,000 to 180,000 acres is about 65 percent of the 1937 base.

The fire-cured tobacco chart shows that prices of this tobacco have remained at low levels despite some decrease in supplies resulting largely from diversion of leaf to by-products. Domestic consumption for normal purposes has remained fairly stable during recent years, but exports have declined steadily for more than a decade.

The supply of dark air-cured tobacco for the present marketing year is about normal in relation to domestic consumption and exports.

COTTON

The cotton goal of 27 to 29 million acres is about 60 percent of the 1937 base. The acreage in the 1938 goal, with yields equal to the average of the last four years, would give a crop of about 11 million bales. This production would be less than the present level of foreign and domestic consumption and should result in a reduction from the present large world supply of American cotton of 23 million bales. The 1937 crop is expected to be more than 17.5 million bales, and is the second largest crop in history. It will result in a carryover at the beginning of the 1938 season within about 10 percent of the record carry-over existing in 1932.

The chart "Cotton Production in the United States and Foreign Countries" shows trends of cotton production from 1890 to date. It will be noted that there has been a marked expansion of production in foreign countries in recent years. The chart "Big Supplies of American Cotton Depressed Prices" indicates the need for maintaining a balance between the supply and demand of cotton.

(Note: G-78 "Charting the Course for Cotton" contains a discussion of the problems confronting American cotton farmers).

PEANUTS

The peanut goal of 1,500,000 to 1,600,000 acres is about 90 percent of the 1937 peanut base. In view of the prospective demand for peanuts this goal should result in a crop which can be marketed at reasonable prices to growers.

The peanut chart shows the relationship between the production of peanuts in the Virginia-North Carolina area and the price to farmers.

EXAMPLE OF
PROGRAM

Now that we have discussed the background and objectives of the Agricultural Conservation Program, let us examine the specific provisions of the program as they apply to individual farms. Probably the best way to go about this is to work through examples.

I. SOIL-DEPLETING GOALS AND MAXIMUM PAYMENT

	Usual	1938	Yield	Unit	Acre	
	Acreage	Goal	Per Acre	Rate	Rate	Payment
General depleting	:	:	:	:	:	:
Soil-conserving acreage or special goals	:	XXXX	:	XXXX	70¢	:
Commercial vegetable acreage	:	XXXX	XXXX	XXXX	2.00	:
Commercial orchard acreage	:	XXXX	XXXX	XXXX	2.00	:
MAXIMUM PAYMENT						:

II. USE OF CROPLAND

Total Cropland - - - -	: Acres :
Normal Orchards and Idle - - - - -	: :
Normal Acres Crops - -	: :
Total Depleting Goal	: :
Soil-Conserving Acreage - - - - -	: :

III. SOIL-BUILDING GOAL

- A. (1) (i) Soil-conserving acreage x 1.5- - - - -
OR
(ii) Special goals- - - - -
(2) Acres general goal above Special Goal- - - - -
(3) Acreage Commercial Vegetables- - - - -
(4) Acreage Commercial Orchards
(5) $\frac{1}{2}$ Pasture Payment- - - - -
OR
B. (1) $\frac{1}{2}$ Maximum Payment- - - - -
(2) Conserving Acreage - - - - -
SOIL-BUILDING GOAL

IV. PERFORMANCE IN 1938

A. SOIL-BUILDING PRACTICES:	Acres or Amount	Acres Equivalent	Credit Toward Goal
	:	:	:
	:	:	:
	:	:	:
	:	:	:
	:	:	:
	:	:	:
TOTAL	XXXX	XXXX	:

B. PERFORMANCE, DEDUCTIONS, AND NET PAYMENT

	Goals	1938 Performance	Excess or Deficit	Rate of Deduction	Deduction
General depleting	:	:	:	:	:
Soil-Building	:	:	:	:	:
TOTAL DEDUCTION					:

NET PAYMENT - - - - - \$

From the foregoing examples, you can see that the program provides (a) for a maximum payment included at specified rates on the various items used in the examples; (b) the establishment of goals; and (c) for deductions and partial payment if the goals are not fully accomplished.

In addition to the maximum payment the goals and the rates of deduction, each of you will be interested in the complete list of soil-depleting crops and in the complete schedule of soil-building practices. The soil-building goal under the 1938 program will replace the requirements for soil-conserving crops and the provisions for soil-building practices under the 1937 program. No specific payment rates will be provided for soil-building practices under the 1938 program. Each farm will have a soil-building goal of a stated number of "acre equivalents" and this goal will be met by maintaining established soil-conserving crops on the farm in 1938 and by carrying out designated soil-building practices.